Building strategic momentum despite uncertain economic backdrop

**Successful digital execution**
- Launched innovative, new digital propositions, including ‘Slyce’, ‘Marketplace’ and ‘M-Track’
- Continued progress in digitising customer journeys; 43% at Q3 (FY21: 27%)

**Balance sheet progress**
- Strong growth in relationship deposits and in target lending segments (Unsecured and BAU Business)
- NIM has strengthened 14bps Q3 YTD vs Q421 exit rate; guidance upgraded to c.185bps for FY22

**Continued cost-efficiency**
- On track to deliver £175m of gross savings by FY24 from digital transformation programme
- Continue to expect FY22 costs to be broadly stable on FY21

**Robust asset quality**
- Prudent coverage of c.66bps at Q3, including c.£25m PMA for cost of living; expect single digit FY22 CoR
- Underwriting criteria tightened across portfolios to reflect higher cost of living

**Capital returns underway**
- Q3 CET1 14.8% well above target long term range of 13%-13.5%, post deduction for £75m buyback
- Dividend payout 30% per annum; inaugural buyback programme c.50% complete\(^1\)

**Q3 YTD Statutory RoTE**

9.6%
Our strategy continues to deliver shareholder value over time

Our strategic pillars underpin our equity story

- **Super Straight-forward Efficiency**
- **Delighted Customers & Colleagues**
- **Discipline & Sustainability**
- **Pioneering Growth**

Our equity story delivers shareholder value over time

### Balance sheet resilience
- Defensive balance sheet and robust asset quality; coverage > pre pandemic
- Lending weighted towards mortgages with an affluent unsecured book
- Strong CET1 ratio 14.8%; robustly in excess of 13-13.5% target
- Clear capital framework set; dividends at 30% pay-out, supplemented by buybacks
- Strong total capital returns yield expected in FY22

### Digital transformation underway
- Benefitting from rate rises; FY22 NIM stabilising at c.185bps, + c.20bps vs FY21
- Restructuring on track: delivering modern tech platform & automated customer journeys
- Broadly stable costs expected in FY22; with gross savings of £175m by FY24 on track
- Statutory RoTE of c.10% achieved in FY22 YTD¹
- New and exciting digital propositions launched, strong pipeline into FY23

### Strategic execution driving improved earnings momentum

### Accelerating profitable growth
- Leverage strong brand potential & loyalty to drive core customer product holding growth
- Fully leverage digital potential and new propositions
- Deliver above market growth in our target areas
- Improve efficiency and deliver <50% C:I by FY24
- Increase capital generation supporting stronger capital returns to shareholders

### Well positioned for uncertain economic outlook

(1) As at Q3 (June) 2022

Digital propositions will drive growth across the whole book
Challenging economic outlook, with higher inflation

**CPI:** Sustained pick-up in inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>OE (August)</th>
<th>OE (February)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>9.4%</td>
<td>7.5%</td>
</tr>
<tr>
<td>2023</td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>2024</td>
<td>1.5%</td>
<td></td>
</tr>
</tbody>
</table>

Higher prices

**GDP:** further downgrades to GDP outlook

**Unemployment:** predicted to increase but remain subdued

**Rates:** significant yield curve shift

- **CPI:** Sustained pick-up in inflation
- **Higher prices**

**GDP:** further downgrades to GDP outlook

**Recovery challenged**

**Unemployment:** predicted to increase but remain subdued

**Rates:** significant yield curve shift

- **Higher UK rate environment**

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**(1) As at 12/09/2022**
Robust balance sheet, well-capitalised and returning capital

**Balance sheet mix:** Defensively positioned loan books

- **Mortgages** weighted towards owner occupied (74%); 54% average LTV of total stock
- **Business** c.70% fully or partially secured; diversified sector; weighted to larger SME’s
- **Unsecured** primarily high quality cards; affluent customers, able to absorb higher living costs

Balance sheet mix as at Q3 2022 (June 2022)

**Capital:** Strong CET1, well in excess of target range

- **14.8%**
- **13 - 13.5% CET1 range**

**Provisioning:** Robust asset quality; strong provision coverage

- **Sep-19:** 362
- **Sep-21:** 504
- **Jun-22:** 476

- **Total ECL**
- **Provision coverage**

**Capital return:** Distributing capital to shareholders

- **£75m**

- **c.50%**

- **MDA**
- **CCB**
- **CCyB**
- **Pillar 2A**
- **Pillar 1**

*1 As at 15/09/22*

- **Buyback:** Existing buyback launched in June 2022 well-progressed; Board will consider top-up and will update alongside FY22 results

- **Dividend:** 2.5p interim dividend paid; accruing 30% full year pay-out

- **Total capital return:** Strong expected yield for FY22, including £75m buyback and 30% dividend pay-out
Progress towards becoming a digital bank

Customer and propositions - digitisation and improvement

<table>
<thead>
<tr>
<th>FY21</th>
<th>By FY24</th>
<th>Q3 22 progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer interactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70% voice</td>
<td>80% digital</td>
<td>c.50% voice</td>
</tr>
<tr>
<td><strong>Fully digitised key customer journeys</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27%</td>
<td>100%</td>
<td>43%</td>
</tr>
<tr>
<td><strong>PCA digital adoption</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>62%</td>
<td>&gt;80%</td>
<td>65%</td>
</tr>
<tr>
<td><strong># non-digital accounts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3m</td>
<td>Low</td>
<td>1.2m¹</td>
</tr>
<tr>
<td><strong>Mortgage application automation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited</td>
<td>100% digital</td>
<td>On-track to deliver in FY24</td>
</tr>
<tr>
<td><strong>Service centres</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Voice-led</td>
<td>Fewer, digitally-led</td>
<td>5 service centres</td>
</tr>
</tbody>
</table>

Colleagues and digital - productivity and agility

<table>
<thead>
<tr>
<th>FY21</th>
<th>By FY24</th>
<th>Q3 22 progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Colleague interfaces</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiple</td>
<td>Single sign on</td>
<td>Underway</td>
</tr>
<tr>
<td><strong>Property footprint</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c.900k sq ft</td>
<td>c.300k sq ft</td>
<td>c.700 sq foot</td>
</tr>
<tr>
<td><strong>Branches</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>162¹</td>
<td>Fewer, digitally-led</td>
<td>131</td>
</tr>
<tr>
<td><strong>Data Centres</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2</td>
<td>1st exits end FY23</td>
</tr>
<tr>
<td><strong>Infrastructure in Cloud</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c.5%</td>
<td>c.75%</td>
<td>Migration starts FY23</td>
</tr>
<tr>
<td><strong>IT delivery lead time</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 weeks</td>
<td>6 weeks</td>
<td>11 weeks (new Agile projects)</td>
</tr>
</tbody>
</table>

Progress in target areas, building pace of change

(1) As at H1 2022
Strong pipeline of exciting new digital products and propositions

Launched in FY22

**Slyce**
- Buy Now Pay Better; c.30k waitlist\(^1\)
- Access to credit and credit score building
- Digital, regulated, simple and transparent

**Business M-Track and Marketplace**
- Significant growth in digitally-led BCA sales
- Partnering with innovative fintechs
- Offering new solutions for customers

**PCAs with debit cashback**
- > 216k new accounts opened since Q121
- Revolving Brighter Money Bundles campaign
- Strong growth in merchant-funded cashback

Coming next

**Digital Wallet**
Initial launch building to a full digital wallet proposition over time
- Ability to earn and spend points
- Access to unique rewards
- Expanding reward programme
- Instalment capability
- Point of sale issuance

**Mortgages**
New digital platform with end to end digitisation
- New customer portal; omni-channel
- Paperless, automated case tracking
- Extended market reach
- Consistent reliable decisions
- Improved turnaround times

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\(^1\) As at 22/09/2022
# Latest guidance

## FY22 financial guidance from Q3 trading update

<table>
<thead>
<tr>
<th>NIM</th>
<th>FY22 NIM expected to be around 185bps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>Underlying costs expected to be broadly stable in FY22</td>
</tr>
<tr>
<td>Cost of risk</td>
<td>Expect single digit cost of risk for FY22</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>Expect c.£275m across FY22-FY24</td>
</tr>
<tr>
<td>Capital Return</td>
<td>FY22 30% dividend payout; Board will consider top-up to existing £75m Buyback programme and will update alongside FY22 results</td>
</tr>
</tbody>
</table>

## Medium-term outlook from Interim results

<table>
<thead>
<tr>
<th>RoTE</th>
<th>Expect to deliver a statutory double digit return in FY24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>Above market growth in Business &amp; Unsecured; maintain mortgage share</td>
</tr>
<tr>
<td>Income</td>
<td>Mix-driven NIM expansion; OOI to rise as proportion of income</td>
</tr>
<tr>
<td>Gross savings</td>
<td>Gross cost savings of c.£175m by FY24; c.50% to be reinvested, including offsetting inflation</td>
</tr>
<tr>
<td>Costs</td>
<td>Cost: Income ratio to be &lt;50%</td>
</tr>
<tr>
<td>CET1</td>
<td>CET1 target range 13-13.5% long term; expect to operate above that for the time being</td>
</tr>
<tr>
<td>Capital Return</td>
<td>30% dividend pay-out supplemented by buybacks, subject to ongoing assessment of surplus capital, market conditions and regulatory approval</td>
</tr>
</tbody>
</table>
Appendix
Structural hedge supportive to NIM; group positively geared to rising rates

### Structural hedge - size and gross yield as at H1 2022

<table>
<thead>
<tr>
<th>Hedge Notional £bn</th>
<th>Gross Yield</th>
<th>Hedge Notional £bn</th>
<th>Gross Yield</th>
<th>Hedge Notional £bn</th>
<th>Gross Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.32%</td>
<td>0.45%</td>
<td>0.52%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td></td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sep-21</td>
<td></td>
<td>Q1 22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2 22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Increase in gross yield reflects re-investment benefit of c.1/60th of total hedge balance each month at the prevailing 5Y swap rate
- Gross yield does not reflect income from the legacy hedge unwind
- Legacy hedge of c.£15bn at H122 will be fully unwound by FY25; contribution was c.£150m in FY21 and will be c.£120m in FY22
- Size of structural hedge subject to ongoing review of balance stability as market pricing and customer behaviour evolves

### Group interest rate sensitivity as at H1 2022

<table>
<thead>
<tr>
<th>NII impact</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>+25bps parallel</td>
<td>c.£10m</td>
<td>c.£20m</td>
<td>c.£35m</td>
</tr>
<tr>
<td>-25bps parallel</td>
<td>c.£(5)m</td>
<td>c.£(20)m</td>
<td>c.£(35)m</td>
</tr>
</tbody>
</table>

- The sensitivities assume an immediate 25bps parallel shift in interest rate curves, including the bank base rate and forward rate curve
- Assumes the balance sheet is constant; does not reflect new business margin implications
- Size of structural hedge is calibrated to an assumed level of deposit pass-through; actual level of pass-through could be different in practice
- Year 2 and 3 impacts driven by structural hedge re-investment
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